

TO: Distribution

DATE: December 18, 2019

RE: CMG Financial Correspondent Lending  
Updates

EFFECTIVE: As noted below

### CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Fannie/DU Paying Off a PACE Loan as a “HomeStyle Energy”

#### FANNIE/DU PAYING OFF A PACE LOAN AS A “HOME STYLE ENERGY”

**Summary:** Under the HomeStyle Energy program Fannie Mae permits limited cash-out refinances to include the payoff of certain PACE liens on the property with no dollar amount limit (LTV ratios apply). In other words, for limited cash-out refinances underwritten with DU: all outstanding PACE debt may be paid off up to the maximum allowable LTV for the transaction and occupancy type.

- The improvements associated with the PACE lien must already be complete.
- Limited Cash-out Refinance Transactions: When a loan is originated as a limited cash-out refinance, the loan must meet all of the standard requirements for limited cash-out refinances.
- Proceeds may also be used to pay off an existing PACE loan that financed energy-related improvements. The standard cash back allowance of the lesser of 2% of the loan amount or \$2,000 is permitted on these loans.
- For limited cash-out refinance transactions, the LTV ratio is determined by dividing the original loan amount by the “as completed” appraised value of the property when the mortgage is being delivered prior to the completion of the improvements. If the appraisal was completed after the completion of the improvements, then the LTV ratio is determined by dividing the original loan amount by the appraised value of the property.
- Alternative documentation (other than an energy report) is acceptable - Payoff of PACE loans – Documentation must show that the funds are used solely to pay off the PACE loan obtained for energy improvements on the subject property.

Mortgage loans using HomeStyle Energy flexibilities & DU. For loans underwritten in DU, specific information must be provided:

- **Use standard product codes (“HomeStyle Energy” is different than “HomeStyle Renovation)**
- **PACE Loan Payoff Amount - The payoff amount of any existing PACE loans. PACE energy debt should not be included in line d. of the Details of Transaction.**
- **SFC 375 is required to be entered for delivery purposes**

**Effective Date:** Immediately. CMG guidelines will be updated next week to allow “HomeStyle Energy” as it relates to paying off a PACE loan as a rate/term refinance. Look for more guideline enhancements for

*Fannie Mae's other HomeStyle Energy financing options in the near future.*

***Please contact your Correspondent National Sales Manager  
or your Correspondent Liaison with any questions.***



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